

# LEGISLATIVE FISCAL ESTIMATE TO

## [First Reprint] ASSEMBLY, No. 13

# STATE OF NEW JERSEY

DATED: JANUARY 31, 1997

### **Bill Summary:**

Assembly Bill No. 13 (1R) of 1996 is part of a package of four bills that establish "Work First New Jersey" (WFNJ) as the consolidated public assistance program replacing the current programs of Aid to Families With Dependent Children (AFDC), AFDC Emergency Assistance (EA), General Assistance (GA), General Assistance Emergency Assistance (GAEA), the GA employability program and the Family Development Initiative. Specific provisions of the legislation include the following:

- C A WFNJ recipient is limited to a total of 60 cumulative months of eligibility, with certain exceptions. A recipient's eligibility may be extended for up to 12 cumulative months in certain situations. Time spent in WFNJ prior to a person's 18th birthday (as either a minor parent or dependent child) would not count toward the 60 month limit.
- C The Commissioner of Human Services would allocate federal funding available for administrative costs from the federal block grant to the counties.
- C Fifty percent of a county's administrative costs of WFNJ attributed to adults with dependent children (the former AFDC clients) would be reimbursed by the State, up to the maximum amount allocated for that county by the commissioner within the limits of available funds. Assistance benefits of WFNJ attributed to adults with dependent children would be shared as follows: 5% county funds and 95% State and federal funds.
- C Effective January 1, 1998, administration of the GA program for those municipalities with a caseload of 100 persons or more as of June 1996 would shift to the counties. Administrative costs incurred by counties with respect to the GA program would be reimbursed by the State at 100% of the incremental costs incurred by the county to perform required program activities that are not required for other federally funded programs. The State would continue to pay 100% of assistance benefits provided to adults without dependent children, regardless of whether the program is administered by a county or municipality.
- C The electronic benefit (EBT) distribution system would be extended to all counties in the State and penalties provided in N.J.S. 2C:20-35 et seq. are extended to WFNJ and any benefits provided by EBT.

**Agency Comments:**

The Department of Human Services and the Office of Management and Budget have not provided any fiscal information on the legislation.

**Office of Legislative Services Comments:**

Below is discussion of certain provisions of the legislation.

**Limit on assistance to a total of 60 cumulative months.** Until the program has been in effect for 60 months, there is no way to determine the number of persons over the age of 18 who may be terminated from assistance and the effect this will have on overall WFNJ costs, the number of persons who may be exempt from the 60 month limit or the number of persons who receive extensions of up to 12 cumulative months.

It is noted that 30% of current AFDC cases have received benefits for 60 continuous months. It is not known how many of the remaining AFDC cases have received 60 cumulative months of assistance over time. Data on the duration of receipt of assistance for the GA recipients are not available.

**Commissioner's allocation of federal funds to counties for administration and State payment of 50% of the administrative costs for adults with dependent children.** During State FY 1996, counties expended about \$125 million (gross) to administer the various AFDC programs. For the most part, these administrative costs were funded by federal and county resources; the State, generally, did not participate in funding these administrative costs. Whether administrative costs will exceed \$125 million or decrease from that level as a result of the new federal legislation and the additional administrative flexibility granted states will not be known until the program is implemented.

Under the new federal welfare reform program, the State expects to receive \$404 million from the federal block grant, of which 15%, or \$60.6 million, may be used for administration at the State and county levels. However, while federal law limits to 15% the amount of federal block grant funds that can be used for program administration, information technology and computerization costs associated with tracking and monitoring recipients are excluded from the 15% cap, but the federal government has not provided guidance as to whether personnel costs associated with information technology and case management are included or excluded from the 15% federal cap. If such personnel costs are outside of the federal cap, the amount of federal funds that may be allocated to counties may exceed 15%, which would reduce the amount of State and county funds required for administration. But as the amount of federal funds the State will receive is capped at \$404 million, if the State is able to spend more than 15%, or \$60.6 million, for administration, the amount of federal funds available for other program purposes would be reduced. Thus, additional State funds might be required to compensate for any funding deficiencies resulting from a maximum of \$404 million in federal funds being available to the State.

As the amount of federal funds the commissioner will allocate among the counties for administrative costs from the new federal block grant is not known, the 50% State share of administrative costs cannot be determined.

**Payments for cash assistance benefits to adults with dependent children would be shared as follows: counties - 5%; and State and federal governments - 95%.** The 5% county share is the same percentage as under current law. County expenditures may increase or decrease based on caseload levels.

The State and federal government would pay 95% of any remaining assistance costs. As the amount of federal funds the State will receive is capped, State expenditures may increase or decrease depending on the amount of federal funds the State allocates for assistance.

While the State expects to receive upwards of \$50 million more in federal funds under the block grant than it previously received under the AFDC program, such additional federal funds must also be used to fund other costs associated with WFNJ such as the increased need for child care and transportation costs related to work requirements.

**Effective January 1998, administration of GA program would be transferred to the county for those municipalities whose caseload as of June 1996 was 100 persons or greater, and the State will reimburse counties for 100% of the additional administrative costs associated with the GA program.** Available data indicate that 31 municipalities are affected by the transfer provision.

Total GA administrative costs incurred by the 31 municipalities which would be taken over by the county are not known. For those municipalities that do report their administrative costs to the department, reported GA administrative costs are about \$9 million. However, such costs may understate real GA administrative costs as most municipal GA offices are understaffed and municipalities may not report all administrative costs associated with the office.

In transferring GA administration to the county, there is a likelihood that total GA administrative costs will increase beyond present levels for the following reasons:

- C As the State will absorb any increased GA administrative costs that are not otherwise reimbursed by the federal government (up to a certain unspecified limit), counties have a financial incentive to fully staff the GA administrative program and to charge off as much costs as possible to the GA program in light of funding limitations on the administrative costs of the former AFDC program; and
- C Salary levels for similar types of employees tend to be greater at the county level than at the municipal level.

Having the State assume the administrative costs of 31 GA programs that are transferred to the county would reduce municipal expenditures, with a corresponding reduction in the amount the municipalities must raise from the local property tax.

It is noted that the bill specifies that municipalities with under 100 cases

may elect to transfer administration to the counties; in such cases, the State will reimburse counties for 100% of the administrative costs. For those municipalities that continue to administer GA on the municipal level, administrative costs will continue to be borne by the municipality.

**State payment of 100% of GA benefits.** As the State currently pays 100% of GA benefits, there is no new fiscal impact. However, in shifting GA program administration to the county level, the number of GA recipients may increase as counties are better staffed and have more resources to process applications than municipalities. When Passaic County assumed the administration of the GA program from several municipalities, caseloads increased because the county cleared up the backlog of cases that had been pending. On the other hand, counties also have greater capabilities to detect the fraudulent receipt of benefits which could have some impact on reducing caseloads.

**Implementation of Statewide EBT system.** EBT has been implemented in Camden, Essex and Hudson counties, the largest counties in terms of AFDC and Food Stamp caseloads. The FY 1997 appropriations act provides approximately \$1.0 million to extend the system Statewide. However, until a Request for Proposal is issued to extend EBT Statewide and bids are received, the amount of State funds required will not be known.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.